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HOUSING AUTHORITY OF THE CITY OF NEWARK

INCOME STUDY

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NEWARK HOUSING AUTHORITY
INCOME STUDY

The following chart contains a suggested schedule of Local Maximum Limits according to size of apartment and number of persons.

LOCAL MAXIMUM INCOME CHART

Rooms	Bedrooms	Persons	Maximum Income		
			Year	Month	Week
3	1	2-3	\$ 1115.00	\$ 93.92	\$ 21.44
3½	1	2-3	1158.00	96.50	22.26
4½	2	3-4+	1232.00	102.67	23.69
5½	3	4-6+	1257.00	104.75	24.17

The basic consideration of this study is to provide a formula for restricting residence in the new Housing Projects to "families of low income." "Families of low income" is defined, in the United States Housing Act, as families who are in "the lowest income group." The term, "lowest income group", has been interpreted, by the United States Housing Authority, to mean families in that third of the Nation whom the President has found to be "ill housed".

No specific detailed survey of the distribution of incomes in the City of Newark has been made by any responsible research agency. By reflecting income from the highest rent paid by any family in the lowest third, by making comparative studies of the cost of living statistics for Newark and other Cities, by interpreting average earnings in the Newark area and finally by checking the results, thus obtained, against an analysis of the rent and income relationship among the site residents on our slum clearance projects, we have been able to reach the conclusions shown in the foregoing chart and to test the validity of these conclusions.

In determining income limits for Newark, it must be borne in mind that although Newark is itself a City of 459,000, as estimated by the Board of Health up to June 1939, Newark, in reality, is the industrial and commercial center of a population exceeding one million. Contiguous to Newark are many satellite communities and the average visitor does not realize when he has passed from one to the other. Economically and geographically, Newark should be classified with cities in the next higher group. Wage levels and cost of living are as high in Newark as anywhere in the East, with only minor differences.

The Local maximum income limits fixed by the United States Housing Authority for the New York City Housing Authority have been used by us as a guide in determining Local limits for Newark. The results have been tested, as just stated, and found to be well within justifiable limits.

It is an axiom that living costs are higher where wage levels are higher. This axiom is borne out by the National Industrial Conference Board Study of "Local Variations in the Cost of Living", made in 1935. The report states that living costs of wage earners tend to be highest in the larger cities and highest in the East.

"Social Trends in Essex County", a report by the Research Center of the University of Newark, in May 1938, makes similar observation. The difference between costs of living in Newark and New York is surprisingly small.

The "Sales Management Magazine", in its 1938 Survey of Buying Power issued on April 10th, 1939, showed the Scale of Living Index for Newark to be 122.2 as against a Scale of Living Index for New York City as 123.2.

The Division of Social Research of the Works Progress Administration made a careful study of living costs in 69 Cities, including Newark and New York. The study was called "Intercity Differences in Costs of Living in March 1935, 69 Cities". The family whose budget was tested was that of a manual worker, his wife, son and daughter. The children were of sufficient age to require private bedrooms. The apartments on which rents were tested consisted of 4 or 5 rooms, that is, 2 or 3 bedrooms. The income required by this worker to support his family at a maintenance level was \$1300 a year in Newark and \$1375 a year in New York. A difference of only 5.77%. We have adjusted the Local income limits established for New York City by this difference of 5.77% to fix Local limits for Newark. (See Note at end.)

Let us test the validity of these limits. By analyzing the Real Property Inventory of 1934-5, we have determined that \$22.11 is the highest monthly rental paid by a family of the lowest third. The "Intercity Differences in Costs of Living" found that rent was 19.85% of income at the maintenance level in Newark. Therefore, the highest income of a family at the top of the lowest third can be calculated to be \$1336.50. The figure of \$1300, fixed by the report, is obviously on the safe side.

The National Industrial Conference Board determined that rent was 19.3% of the family budget. Therefore, a family at the top of the lowest third might be calculated to have an annual income of \$1374. The Board's Bulletin estimated that the cost of living in a City like Newark was 108% of the average for 69 Cities. This calculation indicates a yearly income of \$1372.00 which is very close to the income indicated by reflection of the rents.

A "Financial Survey of Urban Housing in 61 Cities", was undertaken by the Department of Commerce in 1935. Using the rent ratio estimated by that study, we calculate the difference between New York and Newark income limits for the lowest third to be \$104 which is not very far from the difference of \$75. between New York and Newark, found by the Works Progress Administration in the "Intercity Differences in Costs of Living".

How do these limits compare to the sample we have already made in Newark at our slum clearance projects? The similarity is very great.

At NJ 2-5, the Orange and Nesbitt Site, rent was 19.23% of the tenant's income. This figure excludes property owners and relief clients. Relief clients rent bears no consistent relationship to income or general allowances. Relationship of Housing cost to a property owner's income must be figured on a totally different basis and is not a subject of the present study.

Reflecting the maximum income from the rent indicated as the top of the lowest third, by the Real Property Inventory, we find that the income limit is \$1379, very close to the incomes previously calculated from "Intercity Differences" and the Conference Board Bulletin. Therefore, the income limits suggested in our chart are definitely on the safe or lower side of a justifiable maximum.

According to the "First Annual Report" of the Newark Labor Relations Board, issued on October 31st, 1938, Appendix II, the average earnings of workers employed in Newark manufacturing establishments, was \$1121.80 for the year 1935. It can be readily shown that the top income indicated by an average of \$1121.80 is well over \$1300. For example, the average earnings of cash paying tenants at NJ 2-5 was \$1134, and the maximum income is calculated at \$1379.

The National Resources Committee completed an enlightening study called "Consumer Income in the United States", in August 1938. Table 9B, in the Appendix, shows that in large cities of population between 100 thousand and one million 500 thousand, the top of the lowest third in income is \$1178.25. Considering that the National Resources Committee figure applies to the whole United States and that levels are higher in the East than elsewhere, a substantiating similarity can be seen between the recommendation here contained and the results of the National Resources Committee's study.

Examination has been made of the Social Security Board statistics for the State of New Jersey. The inability to separate family incomes from individual earnings and seasonal or days' work employment, added to the difficulty presented by statistics covering the entire State without a breakdown for Newark, prevents us from utilizing the Social Security figures in this report.

Another test demonstrating that the limits suggested in this report are reasonable, is provided by figures of average incomes for wage earners and slum dwellers. For example, the Conference Board Bulletin determines the average earnings of the four person family worker in 69 Cities to be \$1270. The

average income found by our Local Site Resident Survey, for all residents of both our slum clearance sites, including owners but excluding relief clients, was \$1219.20.

Since it is obvious that limits exceed averages, it is submitted that the income limits suggested in this report are as low as we are able to justify.

NOTE: Having established the top income limit, or "ceiling", for occupants of the 5½ room units, it was necessary to establish limits for families occupying smaller sized units. Recognition was here given to two things. First, that the difference between the rents of the various apartments is very small, as the units with fewer rooms rent at a higher rate per room than the larger units. Secondly, income earned or received by a family bears no consistent relationship to the size of the family or the number of rooms required. In other words, incomes are likely to be very much the same in similar fields of employment, regardless of family or dwelling size.

These facts were recognized and put into effect by the order of the United States Housing Authority of September 10th, 1939, readjusting the income limits for the New York City Housing Authority program.

We believe that our "ceiling" of \$1257.00, herein suggested for Newark, carries out the low income purposes of the Housing Act. Therefore, we have maintained this figure. We have adjusted limits for smaller sized units in similar proportion to the "ceiling", as did the September 10th, 1939, United States Housing Authority ruling.

This method will give leeway to small families, permitting them to meet the higher cost per room which they must pay, without requiring too large a percentage of their income for their housing costs.

The percentage of maximum income required for rent in New York for 3½ room, 4½ room and 5½ room units, varies from 20.2% to 20.9%. It is anticipated that the percentages in Newark will be similar.

The recommendations as to relief clients will be the subject of a separate memorandum.